DEFENSE CONTRACT AUDIT AGENCY
DEPARTMENT OF DEFENSE
8725 JOHN J. KINGMAN ROAD, SUITE 2135
FORT BELVOIR, VA 22060-6219

IN REPLY REFER TO

May 1, 2001
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MEMORANDUM FOR REGIONAL DIRECTORS, DCAA
                           DIRECTOR, FIELD DETACHMENT

SUBJECT: Audit Management Guidance on Activity Code for Participation on
                    Contractor/Government ERP Implementation Teams

        It has been noted that various 5-digit activity codes are being used to accumulate the time expended for early proactive auditor involvement, typically as part of a government/contractor team, relating to the implementation of Enterprise Resource Planning (ERP) systems. The purpose of this memorandum is to clarify which 5-digit activity codes should be used for this type of effort.

        Activity code 11590, "Other EDP Audits", is the appropriate activity code when auditor involvement will be significant, since ERP systems are essentially an EDP system and the planning for internal controls should be concurrent with ERP system development. During development, auditors should share with the contractor the control objectives that need to be satisfied (as noted in CAM), since it is more efficient to build in controls at the outset, rather than to modify the system later. The assignment should be closed with a report if the internal controls are tested after system implementation, or closed with a memorandum (no report issued) if the internal controls are not tested after implementation. If closed with a memorandum, appropriate subsequent internal control system reviews (ICSRs) under activity codes 110xx, 115xx, 12xxx, 130xx, and 14980 should be initiated to test the system after implementation. These ICSRs should be closed with reports. Activity code 41700, Meetings, should be used if the "up front" auditor participation will not be significant.

        Questions regarding this memorandum should be directed to Stephen T. Larkin, Program Manager, Workload Analysis Division, at (703) 767-2258, or e-mail at Steve.Larkin@dcaa.mil.

                                                /s/

                                                Earl J. Newman
                                                Assistant Director
                                                 Operations

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